



BRYCE YOKOMIZO
Director

LISA NUÑEZ
Chief Deputy

County of Los Angeles
DEPARTMENT OF PUBLIC SOCIAL SERVICES

12860 CROSSROADS PARKWAY SOUTH • CITY OF INDUSTRY, CALIFORNIA 91746
Tel (562) 908-8400 • Fax (562) 908-0459



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January 30, 2007

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**RECOMMENDATION TO AUTHORIZE THE EXECUTION OF
AMENDMENT NUMBER TWELVE TO THE LEADER INFORMATION TECHNOLOGY
AGREEMENT WITH UNISYS CORPORATION
(JANUARY 30, 2007 AGENDA ITEM)
(ALL DISTRICTS – 3 VOTES)**

**JOINT RECOMMENDATION WITH THE CHIEF INFORMATION OFFICER THAT
YOUR BOARD:**

Approve, and instruct the Chair to sign, upon receipt of State and federal approval, the attached Amendment Number Twelve to County Agreement Number 68587 (LEADER Agreement) with Unisys Corporation to: (i) extend the term of the LEADER Agreement by four (4) years and increase the total maximum contract sum by \$108 million; (ii) provide the County an option, to be exercised by the Director of Department of Public Social Services (DPSS), to further extend the Agreement for up to four (4) optional one-year extensions, with an annual cost not to exceed \$27 million; (iii) reflect that Unisys shall provide a technology refresh at the central processing and networking sites to address increased LEADER System capacity needs (e.g., up to 3.5% annual growth in LEADER System workstations and laptops) during this extension period; (iv) reflect that Unisys shall provide access between the LEADER System network and County's enterprise network (LANet/EN) by implementing a network bridge; (v) reflect that Unisys shall provide maintenance and repair services on all LEADER System hardware and software; (vi) reflect that Unisys shall continue to provide Facilities

Management/Operations and Telecommunications (FM&O) support and warranty services for the LEADER System; (vii) reflect that Unisys shall provide Application Software Maintenance and/or Enhancements at a revised hourly rate of \$105, based on 8,000 hours per month; (viii) amend Exhibit A (Statement of Work) to set forth all tasks and deliverables required; and (ix) amend certain provisions and payment schedules of the LEADER Agreement.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Background

On September 12, 1995, your Board approved the initial LEADER Agreement between the County and Unisys. The Initial Term of the LEADER Agreement expired on April 30, 2005. Amendment Number Ten provided for a twenty-four month extension which commenced on May 01, 2005 and will expire on April 30, 2007. In the interim, the State and federal agencies have determined that the County should procure competitive bids for a LEADER replacement system. Based on the latest procurement planning schedule, which minimizes risk to our welfare participants, DPSS anticipates that the implementation of the LEADER replacement system may take up to eight years after the current contract term ends on April 30, 2007. Therefore, DPSS is requesting to extend the LEADER Agreement by four years, with up to four optional one-year extensions.

In June 2004, DPSS brought in an outside consultant to conduct an Alternatives Analysis (AA) to determine the best course of action upon expiration of the current LEADER Agreement. This effort was completed in October 2004. Results of the AA confirmed that due to the size, complexity and proprietary technology of the current system hardware and software, LEADER System turnover to another vendor in a short timeframe would subject the County to excessive risk and costs. Therefore, it is in the best interest of the County to pursue an extension with Unisys in order to provide uninterrupted service to the public.

The four-year cost of this Amendment Number Twelve will increase the total maximum contract sum by \$108 million. This increase includes the cost of Facilities Management/Operations and Telecommunications (FM&O) and Application Software Modifications and/or Enhancements (M&E). The amount excludes County costs for local office hardware moves, local office telecommunication circuits, whole-unit replacements of local office hardware and related software, additional local office hardware and related software for local office expansions and the installation of such additional hardware and software, and telecommunications hardware, software and services for additional dial-up users.

Because of the significant cost increase from our current annual cost, DPSS worked with the Auditor-Controller in hiring an independent consulting firm to evaluate Unisys' cost proposal for the contract extension. Results of this independent evaluation enabled DPSS to renegotiate the annual price down from \$32.5 million to \$27 million. The independent consulting firm validated that the final price is reasonable and comparable to industry benchmarks. Further, the State supports the final cost and term of this Amendment as stated in the letter from California Health and Human Services Agency's Office of Systems Integration, dated January 11, 2007 (copy attached).

DPSS expects to continue to utilize 8,000 hours per month for M&E during the extension period. The M&E rate for the extension period shall be \$105 per hour, which is included in the total maximum contract sum. The M&E rate shall remain the same for the entire four-year extension period and the four optional one-year extensions.

Board Motion to Reopen Negotiations

Pursuant to the Board motion of December 12, 2006, DPSS, with oversight by the CAO, reopened negotiations with Unisys. The outcome of those negotiations was that Unisys did not change their price but informed the County that the \$27 million price was fair and reasonable in today's market for all goods and services provided under this Amendment Number Twelve. However, Unisys agreed to a change in the term from five years with three optional one-year extensions to four years with four optional one-year extensions at the same annual price of \$27 million.

Understanding the concern by the Board, Unisys did go back and look at all of their costs to see if any more reductions in price could be made. They also explored the possibility of moving some services out of the LEADER Agreement in an effort to reduce the cost of this Amendment. They considered the following:

- 1) Moving the back-up central processing site and/or application software development offshore to India. The County evaluated this option and determined it would be operationally problematic and risky, and would not amount to any significant cost savings due to transition and training costs.
- 2) Removing central printing and local office equipment maintenance services from the LEADER Agreement and procure different vendor(s) to handle such services. The County evaluated this option and determined that although Unisys quoted a price reduction of \$4 million annually, the County would still have to continue this cost with multiple vendors which could be higher than the Unisys' costs. Additionally, this responsibility would shift to the County and would result in increased County costs. Furthermore, multiple vendors handling LEADER-related goods and services would jeopardize accountability,

operations and security, as well as current LEADER System availability and response time service levels.

Therefore, DPSS, CAO and the CIO recommend that all goods and services are left intact as written and provided under this Amendment Number Twelve.

Goods and Services Under Proposed Amendment Number Twelve

In addition to the goods and services provided under the current LEADER Agreement (e.g., system operations, technology/operations management, network support, help desk operations, dial-up server support, local office hardware maintenance [servers, workstations, laptops, printers, routers, switches, and hubs], local office software maintenance, enterprise network support, central site operations and support, database administration, central print and mail services, production control of batch jobs, system security, back-up and disaster recovery services, M&E, etc.), Unisys shall also provide the following:

Technology Refresh

Under this Amendment, the FM&O charges include a technology refresh at the central processing sites in Eagan and Roseville, MN, the central networking sites in Mission Viejo and Downey, CA, and the central print facility in El Segundo, CA in order to support growth projections and comply with all specifications and service levels over the next four to eight years. These upgrades are required to continue operation of the LEADER System with increased data, usage and transaction volumes anticipated over the next eight years, and comply with the performance, availability and response time service levels under the LEADER Agreement. However, this Amendment does not include the cost to purchase new local office hardware (e.g., workstations, laptops, printers, servers or networking equipment) or software.

Bridged Environment

The current LEADER System environment is a closed network, and therefore, does not provide access to County applications/resources on LANet/EN (e.g., e-mail, on-line help desk, user manuals, policy and procedures, DPSS website, and other data resources). The network bridge will allow users of the LEADER System to have access to these County applications/resources. This will eliminate the need for two workstations on a desk, unless needed for other reasons. Also, Unisys will provide and implement a solution for County-specified workstations and laptops in the LANet/EN environment to have access to the LEADER System.

LEADER System Expansion

The County may elect to purchase new workstations and laptops from any vendor, and increase the total number in the LEADER System to a maximum of 13,887 at any time during the four-year extension period. This is an increase of 1,785 workstations and laptops over the current 12,102 workstations and laptops in the LEADER System. The technology refresh described above provides for increased capacity at the central processing and networking sites to accommodate this growth.

If the County elects to extend the Agreement for any of the four optional one-year extensions, the County may elect to purchase new workstations and laptops from any vendor and increase the total number up to 14,373 during the first twelve months, 14,876 during the second twelve months, 15,397 during the third twelve months, and 15,936 during the fourth twelve months. The technology refresh provides for increased capacity at the central processing and networking sites to accommodate this growth.

Local Office Hardware and Software Support

Upon the expiration of the current two-year extension on April 30, 2007, utilization charges for local office hardware and software at the local offices shall no longer apply. The ownership of the hardware will be transferred to the County under this Amendment. Furthermore, Unisys shall provide to the County royalty-free, perpetual and irrevocable licenses for local office software installed at the local offices. Unisys will continue to repair the hardware in the local offices or replace whole units of the hardware with County-supplied hardware, where it is mutually determined that replacement parts are not available or the hardware cannot be repaired due to damage. County will also supply all the local office software required for such whole unit replacements of local office hardware, except that Unisys will supply any local office software needed to connect with Unisys's proprietary architecture.

Implementation of Strategic Plan Goals

Amendment Number Twelve is consistent with the principles of County Strategic Plan Goal #1: Service Excellence for improving quality of service and organizational effectiveness. In addition, Amendment Number Twelve is consistent with DPSS' objectives for increasing the efficiency and effectiveness of departmental programs through expanded information technology and communications.

Expansion of the LEADER System is part of the DPSS Business Automation Plan.

FISCAL IMPACT/FINANCING

To date, the cost of LEADER totals \$232,876,732. This compares very favorably to other automated welfare systems throughout the state. The execution of this Amendment will increase that contract sum by a maximum of \$108,000,000 over the four-year extension period.

Costs for Fiscal Year 2006-07

The total estimated costs for Amendment Number Twelve in FY 2006-07 are \$4,500,000. These costs will be subvented by State and federal revenue in the estimated amount of \$4,230,000. The NCC is estimated at \$270,000. Sufficient funding has been included in the Department's FY 2006-07 Adopted Budget.

Costs for Fiscal Years 2007-08 through 2009-10

The total estimated costs for Amendment Number Twelve in FY 2007-08 through 2009-10 are \$27,000,000 annually. These costs will be subvented by State and federal revenue in the estimated amount of \$25,379,000 annually. The NCC is estimated at \$1,621,000 annually. Sufficient funding will be included in the Department's annual budget requests.

Costs for Fiscal Year 2010-11

The total estimated costs for Amendment Number Twelve in FY 2010-11 are \$22,500,000. These costs will be subvented by State and federal revenue in the estimated amount of \$21,149,000. The NCC is estimated at \$1,351,000. Sufficient funding will be included in the Department's FY 2010-11 Budget Request.

Costs for Fiscal Years 2011-12 through 2014-15

Should the County determine to exercise any of the four optional one-year extensions, State and federal funding will be requested.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

This Amendment was reviewed and approved as to form by County Counsel. As with the existing LEADER Agreement and its previous amendments and modification notices, outside counsel, Mitchell, Silberberg & Knupp LLP, also reviewed and

commented on the Amendment in accordance with your Board's policy regarding technology contracts.

This is not a Prop A contract and accordingly is exempt from the requirements of the Living Wage Ordinance.

Assignment and Delegation

This Amendment revises the Assignment and Delegation provision to be consistent with the County's standard contract language.

Contractor Responsibility and Debarment

This Amendment revises the Contractor Responsibility and Debarment provision to be consistent with the County's standard contract language.

Chief Administrative Office (CAO) Risk Management

The County's CAO Risk Management has reviewed and approved the Amendment provisions relating to insurance and the limitation of Unisys' liability for damages.

State and Federal Approval

This Amendment and funding for the four-year extension period have been submitted to the requisite State and federal agencies for approval. Their approval is pending.

CONTRACTING PROCESS

Unisys was selected via a competitive solicitation. On September 12, 1995, your Board awarded a 7.5-year contract (with the option for two additional years) to Unisys to provide an automated welfare system. Amendment Numbers Three and Four approved by your Board extended the 7.5-year contract term by two years to April 30, 2005, making the Initial Term of the Agreement nine years and six months. On March 15, 2005, your Board approved Amendment Number Ten to extend the contract term for the optional two years, from May 1, 2005 through April 30, 2007. Currently, DPSS is requesting that your Board extend the LEADER Agreement for four years (with four optional one-year extensions) beginning May 1, 2007 through April 30, 2012.

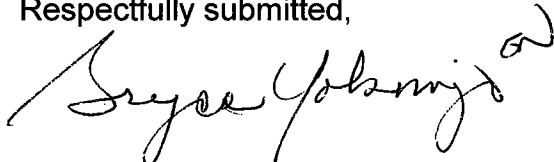
IMPACT ON CURRENT SERVICES (OR PROJECTS)

The execution of Amendment Number Twelve augments the LEADER System by allowing County-specified workstations and laptops in the LEADER System to have access to the County's enterprise network (LANet/EN) through the implementation of the bridged environment; increasing, at County's option, the total number of workstations and laptops in the LEADER System by up to 1,785; and upgrading and/or replacing obsolete, out-of-service, or insufficient technology, in order to support LEADER System growth projections.

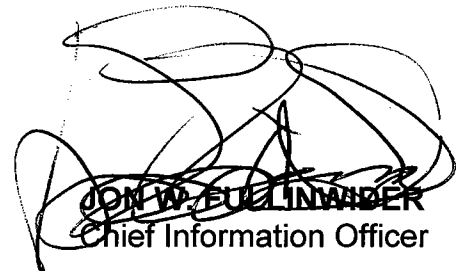
CONCLUSION

Upon receipt of State and federal approvals and funding of this Amendment, DPSS will notify the Executive Officer, Board of Supervisors and request the return of two (2) original signed copies of this Amendment and one (1) adopted stamped Board Letter to the Department of Public Social Services.

Respectfully submitted,



BRYCE YOKOMIZO
Director



JON W. FULLINWIDER
Chief Information Officer

BY/JWF:vo

Attachments

- c: Executive Officer, Board of Supervisors
 Chief Administrative Officer
 County Counsel
 Chair, Information Systems Commission
 Auditor-Controller



**California Health and Human Services Agency
Office of Systems Integration (OSI)
Statewide Automated Welfare System (SAWS) Project
P.O. Box 138014
Sacramento, California 95813-8014
(916) 229-4400, Fax (916) 229-4487**



Arnold Schwarzenegger
Governor

January 11, 2007

Ms. Lisa Nuñez, Chief Deputy Director
Department of Public Social Services
Los Angeles County
12860 Crossroads Parkway South
City of Industry, CA 91746

Dear Ms. Nuñez:

Thank you for your diligence in the recent negotiations of the contract extension for continued maintenance and operations (M&O) services for the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) system. This extension is necessary to continue to operate and maintain the LEADER system until a replacement system can be procured and implemented.

The negotiated price for the LEADER M&O contract extension, \$27 million per year for the five year base term and the three one-year optional extensions, is a significant reduction from the vendor's previous proposal of \$32.5 million per year for the five year base term and \$32.8 million per year for the three one-year optional extensions. While this is an increase over current contract costs, your county's independent evaluation by a consulting firm validated that the costs are reasonable.

In addition, OSI-SAWS confirmed the reasonableness of the proposed costs through a comparison of the costs for the other SAWS consortia. This comparison and the county's justification were subsequently reviewed by the California Department of Social Services (CDSS) and Department of Health Services (DHS), and the costs were submitted for consideration in developing the Fiscal Year 2007/08 Governor's Budget. This letter is to advise you that the Administration supports the proposed annual M&O contract extension



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Statewide Automated Welfare System (SAWS) Project**
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Arnold Schwarzenegger
Governor

costs, and they are included in the Governor's Budget that was released on January 10, 2007.

Again, thank you for your perseverance in these negotiations to ensure that public funds are spent wisely. We are anxious to hear from you that this proposal can be submitted to the federal agencies so the contract extension can be executed before the current contract expires April 30, 2007. If you have any questions or concerns, please let me know.

Sincerely,



GEORGE CHRISTIE
Deputy Director

cc: Mr. Carlos Ramos, Director, OSI
Ms. Debbie Rose, Chief, Program Integrity Branch, CDSS
Mr. Bill Walsh, Chief, Medi-Cal Eligibility Policy Section, DHS



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To learn more about saving energy, visit the OSI web site at <http://www.osi.ca.gov>